

SAYDEL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-18
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	20
Statement of Activities	B	21
Governmental Fund Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	26
Statement of Revenues, Expenses and Changes in Net Assets	H	27
Statement of Cash Flows	I	28
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	29
Statement of Changes in Fiduciary Net Assets	K	30
Notes to Financial Statements		31-45
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		48
Notes to Required Supplementary Information - Budgetary Reporting		49
Schedule of Funding Progress for the Retiree Health Plan		50
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	53
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	54
Combining Statement of Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	4	55
Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	5	56
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	57
Schedule of Expenditures of Federal Awards	7	58
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		59-60
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		61-62
Schedule of Findings and Questioned Costs		63-68

Saydel Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Joel Godwin	President	2009
Kirk Hartung	Vice President	2011
Buddy Hicks	Board Member	2009
Ray Livingston	Board Member	2009
Melissa Sassman	Board Member	2009
Brian Bowman	Board Member	2011
Paul Breitbarth	Board Member	2011
Board of Education (After September 2009 Election)		
Kirk Hartung	President	2011
Paul Breitbarth	Vice President	2011
Joel Godwin	Board Member	2013
Buddy Hicks	Board Member	2013
Ray Livingston	Board Member	2013
Melissa Sassman	Board Member	2013
Brian Bowman	Board Member	2011
School Officials		
Dr. Debra Van Gorp	Superintendent	2010
Jennifer Jamison	Business Manager/ Board Treasurer	2010
Jane Prange	Board Secretary	2010
Brian Gruhn	Attorney	2010
Ahlers & Cooney, P.C.	Attorney	2010

Saydel Community School District

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Saydel Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Saydel Community School District, Des Moines, Iowa as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Saydel Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 13, 2011 on our consideration of Saydel Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 18 and 48 through 50 are not required parts of the basic financial statements, but are supplementary information

required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Saydel Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 13, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Saydel Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

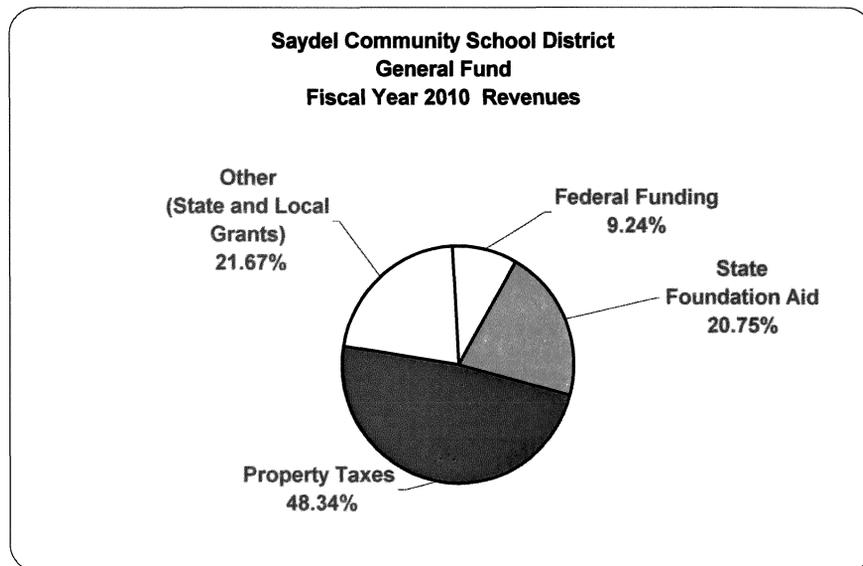
- **Budget:** The State of Iowa legislatively approved an allowable growth factor of 4 percent for fiscal year 2010. The district's enrollment decreased by 80.0 students from 1,335.8 in fiscal year 2009 to 1,255.8 in fiscal year 2010. The decrease in enrollment resulted in a less than 1 percent increase, or \$63,764 in new regular program funding.

In April, 2009, the board approved a budget for fiscal year 2010 for all funds of \$21,437,786 (including transfers).

As in past years, the District continued to stay within its statutory budget in each of its legally required spending categories.

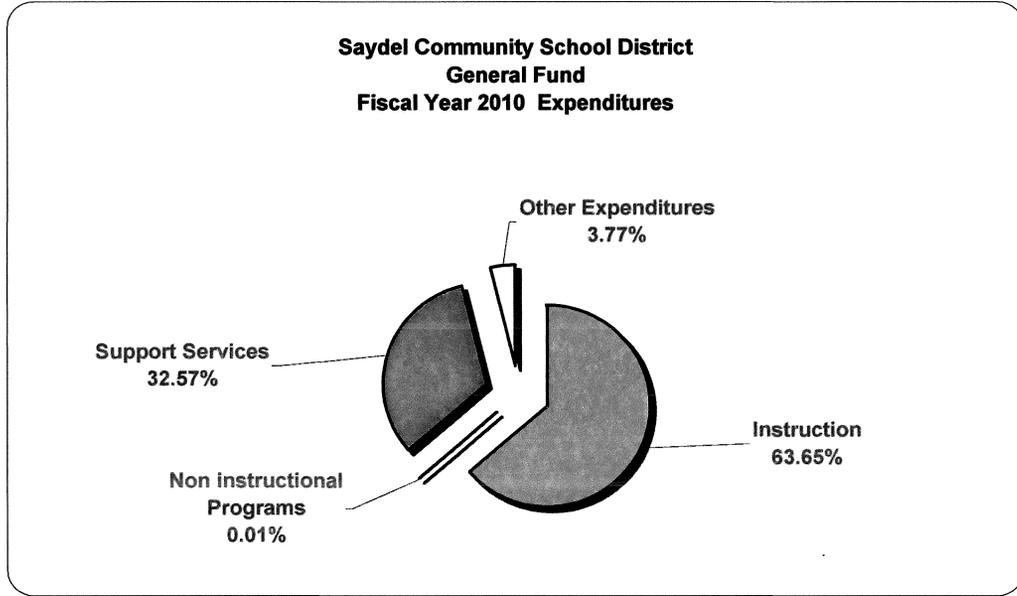
- **Revenue:** Government-wide revenues were \$17,409,802, which primarily consisted of state aid, property taxes, federal grants, and sales taxes. General revenues accounted for approximately 71.2 percent of the District-wide revenue. Program specific revenues in the form of charges for services and grants and contributions, accounted for 28.8 percent of total fiscal year 2010 revenues.

The General Fund had \$13,300,979 in revenues for fiscal year 2010, which primarily consisted of state aid and property taxes. General Fund revenues increased from \$13,243,664 in fiscal year 2009 to \$13,300,979 in fiscal year 2010, which is less than a 1% increase.



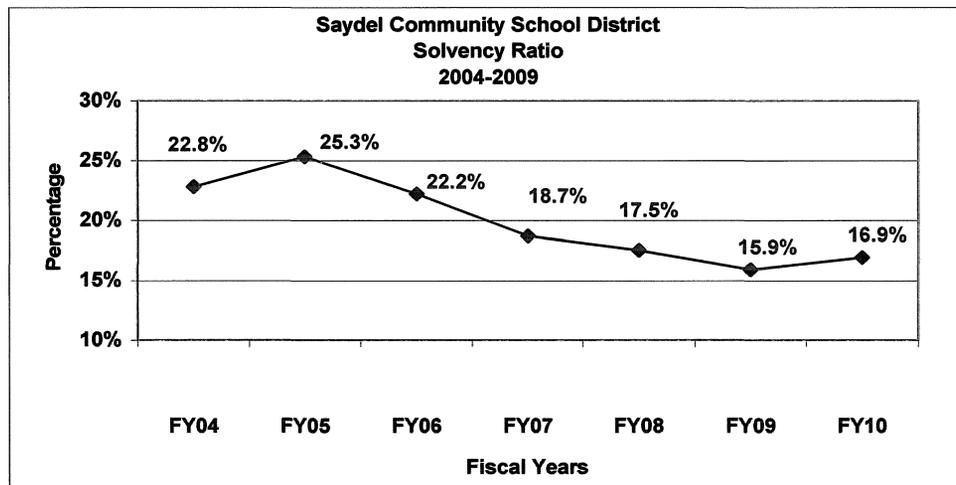
- Expenses:** The government-wide expenses were \$16,254,480, of which \$4,179,827 were offset by program specific charges for services or grants and contributions. General revenues of \$11,242,134 provided for the remaining cost of these programs.

The General Fund had \$13,147,110 in fiscal year 2010 expenses, which primarily consisted of instructional expenses. General Fund expenses decreased from \$13,324,305 in fiscal 2009 to \$13,147,110 in fiscal year 2010.



- General Fund Balance and Solvency Ratio:** The District's overall General Fund balance increased from \$2,260,043 as of June 30, 2009 to \$2,413,912 as of June 30, 2010. As a result, the General Fund undesignated and unreserved portion of fund balance increased from \$2,100,692 as of June 30, 2009 to \$2,248,953 as of June 30, 2010.

The District's solvency ratio (unreserved-undesignated fund balance/General Fund revenues) increased from 15.9 percent in 2009 to 16.9 percent in 2010.



The Board guidelines set a target of 10 percent for the District's solvency ratio. The Iowa Association of School Boards (IASB) considers a solvency ratio to be within "target" or "good" if it is within 5 percent - 10 percent and, therefore, "can handle the unexpected." Additionally, the IASB believes solvency ratio of 10 percent - 15 percent to be "excellent".

Debt: The Debt Service Fund balance increased from \$922,826 at the end of fiscal year 2009 to \$1,211,565 at the end of fiscal year 2010. The cash and pooled investments of the Debt Service Fund include cash held in a sinking fund and debt service fund at Bankers Trust per the bond covenant for the sales tax revenue bonds. Monthly revenues are transferred from the Capital Projects Fund to the Debt Service Fund for payment of principal and interest on the sales tax revenue bonds.

- **Capital Projects:** Revenues from sales taxes decreased from \$1,327,359 in fiscal year 2009 to \$1,068,795 in fiscal year 2010. The decrease was due to a decrease in the proportionate number of students enrolled at Saydel compared to the rest of Polk County. Expenses (including transfers out to debt service) increased from \$3,336,280 in fiscal year 2009 to \$4,480,032 in fiscal year 2010 due to increased expenses related to district-wide HVAC and lighting installation, the Athletic Complex and Wastewater Management Project.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Saydel Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Saydel Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Saydel Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

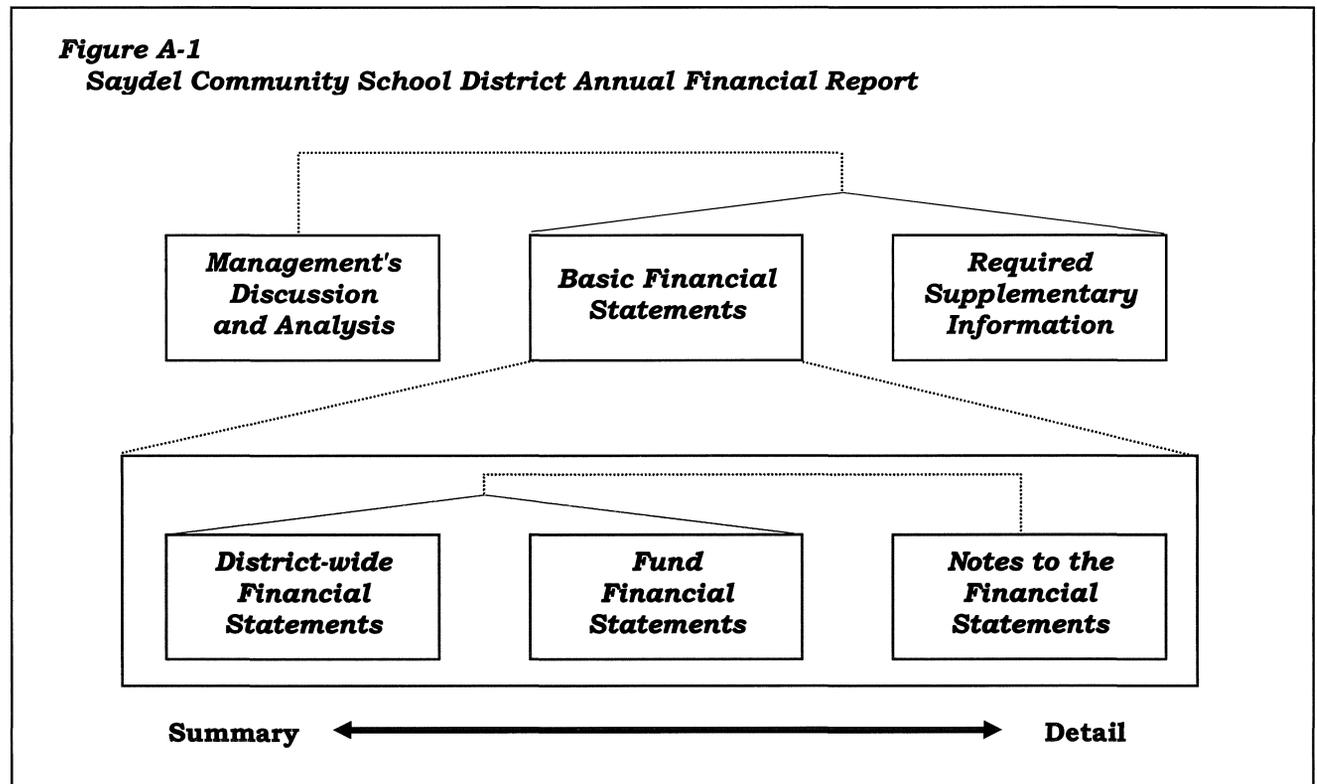


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the Cornell Elementary Preschool Fund and the Eagles Nest Daycare Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds through which the District administers and accounts for certain outside groups.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 19,698,673	23,532,723	362,915	371,785	20,061,588	23,904,508	-16.08%
Capital assets	17,004,098	13,838,147	154,867	139,982	17,158,965	13,978,129	22.76%
Total assets	36,702,771	37,370,870	517,782	511,767	37,220,553	37,882,637	-1.75%
Long-term obligations	10,728,881	11,343,377	534	97	10,729,415	11,343,474	-5.41%
Other liabilities	10,584,690	11,784,273	13,543	17,307	10,598,233	11,801,580	-10.20%
Total liabilities	21,313,571	23,127,650	14,077	17,404	21,327,648	23,145,054	-7.85%
Net assets:							
Invested in capital assets, net of related debt	6,612,590	2,908,147	154,867	139,982	6,767,457	3,048,129	122.02%
Restricted	6,797,384	9,482,493	0	0	6,797,384	9,482,493	-28.32%
Unrestricted	1,979,226	1,852,580	348,838	354,381	2,328,064	2,206,961	5.49%
Total net assets	\$ 15,389,200	14,243,220	503,705	494,363	15,892,905	14,737,583	7.84%

The District's combined net assets increased by 7.84%, or \$1,155,322, over the prior year. The largest portion of the District's net assets is the invested in restricted net assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$2,685,109, or 28.32% over the prior year. The decrease in restricted net assets can be attributable to the decrease in fund balance in the Capital Projects Fund due to the completion of the district's HVAC and lighting projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$121,103, or 5.49%. This increase can be due partly to the increase in General Fund carryover balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 1,461,993	1,431,044	447,787	470,411	1,909,780	1,901,455	0.44%
Operating grants and contributions and restricted interest	2,717,790	2,011,035	384,732	364,913	3,102,522	2,375,948	30.58%
Capital grants and contributions and restricted interest	44	44	0	0	44	44	100.00%
General revenues:							
Property tax	8,373,909	7,819,063	0	0	8,373,909	7,819,063	7.10%
Statewide sales, services and use tax	1,018,232	1,327,359	0	0	1,018,232	1,327,359	-23.29%
Unrestricted state grants	2,778,330	4,226,172	0	0	2,778,330	4,226,172	-34.26%
Other	216,320	174,206	10,665	3,261	226,985	177,467	27.90%
Total revenues	16,566,618	16,988,923	843,184	838,585	17,409,802	17,827,508	-2.34%
Program expenses:							
Governmental activities:							
Instructional	8,851,383	8,707,159	50	0	8,851,433	8,707,159	1.66%
Support services	4,890,297	4,845,433	35,582	10,220	4,925,879	4,855,653	1.45%
Non-instructional programs	1,635	250	798,210	799,170	799,845	799,420	0.05%
Other expenses	1,677,323	1,695,641	0	0	1,677,323	1,695,641	-1.08%
Total expenses	15,420,638	15,248,483	833,842	809,390	16,254,480	16,057,873	1.22%
Change in net assets	1,145,980	1,740,440	9,342	29,195	1,155,322	1,769,635	-34.71%
Beginning net assets	14,243,220	12,502,780	494,363	465,168	14,737,583	12,967,948	13.65%
Ending net assets	\$ 15,389,200	14,243,220	503,705	494,363	15,892,905	14,737,583	7.84%

In fiscal 2010, property tax, statewide sales, services and use tax and unrestricted state grants account for 73.46% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.74% of the revenue from business type activities.

The District's total revenues were approximately \$17.41 million of which \$16.57 million was for governmental activities and approximately \$0.84 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.34% decrease in revenues and a 1.22% increase in expenses. Property tax increased \$554,846 to fund increases in expenses. The increase in expenses is related to increase in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$16,566,618 and expenses were \$15,420,638.

The following table presents the total and net cost of the District's major governmental activities: instruction, non-instructional programs, support services and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 8,851,383	8,707,159	1.66%	5,178,421	5,745,257	-9.87%
Support services	4,890,297	4,845,433	0.93%	4,875,613	4,831,338	0.92%
Non-instructional programs	1,635	250	554.00%	1,635	250	554.00%
Other expenses	1,677,323	1,695,641	-1.08%	1,185,142	1,229,515	-3.61%
Totals	<u>\$ 15,420,638</u>	<u>15,248,483</u>	<u>1.13%</u>	<u>11,240,811</u>	<u>11,806,360</u>	<u>-4.79%</u>

- The cost financed by users of the District's programs was \$1,461,993.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,717,834.
- The net cost of governmental activities was financed with \$8,373,909 in property tax, \$1,018,232 in statewide sales, services and use tax, \$2,778,330 in unrestricted state grants, \$71,921 in interest income and \$144,399 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$843,184 and expenses were \$833,842. The District's business type activities include the School Nutrition Fund, the Cornell Elementary Preschool, and the Eagles Nest Daycare. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Saydel Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$9,298,393, below last year's ending fund balances of \$11,934,504. However, the primary reason for the decrease in combined fund balances in fiscal 2010 is due to the decrease in Capital Projects Fund balance because of the completion of the district's HVAC and lighting projects during the year.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. The General Fund balance increased from \$2,260,043 in fiscal 2009 to \$2,413,912 in fiscal 2010. Overall, District revenues for the General Fund during fiscal 2010 increased slightly, \$49,204, as compared to one year ago. General Fund expenses decreased by \$177,195 as compared to the previous year. As a result of these two factors, the General Fund balance was guaranteed to improve.

-
- The Management Levy Fund balance decreased from \$962,010 in fiscal 2009 to \$825,762 in fiscal 2010. The decrease in property tax monies received by the District as compared to fiscal 2009 ensured that the Management Levy Fund would decrease in fund balance. The revenues received in fiscal 2010 (\$301,845) for the Management Levy Fund were less than expenditures (\$438,093) thus further ensuring the decrease in Management Levy Fund balance. This balance will be used in the future for early retirement incentives and property insurance.
 - The Capital Projects Fund balance decreased from \$6,217,899 in fiscal 2009 to \$2,806,662 in fiscal 2010. The decrease in fund balance is due to the completion of the district wide HVAC project and the ongoing Athletic Complex and Wastewater Management Projects during the fiscal year.
 - The Debt Service Fund balance increased from \$922,826 in fiscal 2009 to \$1,211,565 in fiscal 2010. Fund revenues remained fairly steady as compared to the previous year while fund expenditures decreased thus ensuring the gain in Debt Service Fund balance.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$494,363 at June 30, 2009 to \$503,705 at June 30, 2010, representing an increase of 1.89%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$905,228 less than budgeted revenues, a variance of 4.94%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$17.16 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 22.74% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$822,549.

The original cost of the District's capital assets was \$36.24 million. Governmental funds account for approximately \$35.93 million with the remainder of approximately \$0.31 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,442,144 at June 30, 2009, compared to \$1,053,979 reported at June 30, 2010. This decrease is attributable to the completion of District-wide HVAC projects. During the year the District started improvement projects to the athletic complex as well the waste water system.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 7,500	7,500	0	0	7,500	7,500	0.00%
Construction in progress	1,053,979	2,442,144	0	0	1,053,979	2,442,144	-131.71%
Buildings	14,340,913	9,688,119	0	0	14,340,913	9,688,119	32.44%
Land improvements	744,341	628,189	0	0	744,341	628,189	15.60%
Machinery and equipment	857,365	1,072,195	154,867	139,982	1,012,232	1,212,177	-19.75%
Total	\$ 17,004,098	13,838,147	154,867	139,982	17,158,965	13,978,129	22.76%

Long-Term Debt

At June 30, 2010, the District had \$10,729,415 in general obligation bonds payable, revenue bonds payable, instrument lease payable, compensated absences and early retirement payable. This represents a decrease of 5.41% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$2,455,000 at June 30, 2010.

The District had outstanding revenue bonded indebtedness of \$7,930,000 at June 30, 2010.

The District had an outstanding instrument lease payable from the General Fund of \$6,508 at June 30, 2010.

The District had compensated absences payable from the General Fund of \$56,346 as of June 30, 2010.

The District had total outstanding Early Retirement payable from the Management Levy Fund of \$252,056 at June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
General obligation bonds	\$ 2,455,000	3,000,000	0	0	2,455,000	3,000,000	-22.20%
Revenue bonds	7,930,000	7,930,000	0	0	7,930,000	7,930,000	0.00%
Instrument lease	6,508	0	0	0	6,508	0	100.00%
Compensated absences	56,346	56,805	0	0	56,346	56,805	-0.81%
Early retirement	252,056	351,319	0	0	252,056	351,319	-39.38%
Net OPEB liability	28,971	5,253	534	97	29,505	5,350	81.87%
Total	\$ 10,728,881	11,343,377	534	97	10,729,415	11,343,474	-5.41%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could affect its financial health in the future:

- District enrollment declined from October 2008 to October 2009 by 31 students, or 2.5 percent. Therefore, the regular program cost for fiscal year 2011 will decline by approximately \$285,388. Despite a 101 percent budget guarantee of \$113,352, the District will realize a decrease in the regular program cost of \$172,036.

-
- At the November 2010 board meeting, the Board voted and approved to close the Norwoodville Elementary building effective with the 2012-13 school year. It is estimated that the District will save \$450,000 a year due to staff reduction and other cost saving. Due to this closing, the District is going to move fourth grade to Cornell Elementary and fifth grade to Woodside Middle School. The District is going to utilize PPEL and Sales Tax Funds to add on to Cornell Elementary four more classrooms and a new gym.
 - The tax rate of the district remains one of the lowest in Polk County. This is due in large part to the commercial tax base within the district. In fiscal year 2011, commercial and industrial property amounted to nearly 65 percent of the total taxable valuation in the district. Residential and agricultural valuations account for most of the other 35 percent of taxable valuations. This is a very favorable tax base for the District because of the fact that commercial and industrial property is usually taxed at or very near 100 percent of its value. Residential and agricultural land, on the other hand, has a rollback in place so that neither class of property will grow faster than the other. The result is a residential rollback that taxes property at only 46 percent of its assessed value and agricultural land at 94 percent of its assessed value. Thus, a higher commercial and industrial tax base generates more revenue per dollar of assessed value than residential or agricultural land.
 - It remains a concern for the District that the overall student population has seen a decline, but it is hoped that the planned-for, additional, affordable housing in the area will become a reality in the near future. It is not unreasonable to assume that at least a portion of the housing would be purchased by those with school age families. Saydel CSD has a traditionally stable population, often seeing those educated here remain in the District after graduation, and the additional housing is seen as an opportunity to help keep the enrollment numbers in a more stable position.
 - It is a concern of this District, as well as every District in the state, that certain costs will continue to increase, such as those associated with negotiated agreements with unions, i.e. salaries and benefits. The District continues to approve an Early Retirement Plan in an effort to achieve costs savings through higher paid teachers retiring early and hiring less experienced teachers as replacements that typically will be paid less, thus resulting in a cost savings to the General Fund. Other uncontrolled costs such as fuel also continue to be watched. With the legislature's hesitancy to fully fund and increase funding, knowing that these costs will continue to rise, the District remains vigilant to use completely and efficiently all the resources it has at its disposal.
 - In an effort to ensure the efficient use of all resources, the District maintains a conservative approach to budgeting. It may also be worth noting that no matter the funding source, whether the state or individual taxpayers, any funds budgeted may not be fully received, hence encouraging the conservative approach.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ryan Eidahl, District Treasurer and Business Manager, Saydel Community School District, 5740 NE 14th St, Des Moines, Iowa, 50313.

BASIC FINANCIAL STATEMENTS

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 10,215,921	348,039	10,563,960
Receivables:			
Property tax:			
Delinquent	116,141	0	116,141
Succeeding year	8,488,529	0	8,488,529
Interfund	726	(26)	700
Accounts	232,797	774	233,571
Due from other governments	644,559	0	644,559
Inventories	0	14,128	14,128
Capital assets, net of accumulated depreciation	17,004,098	154,867	17,158,965
TOTAL ASSETS	36,702,771	517,782	37,220,553
LIABILITIES			
Accounts payable	574,777	2,437	577,214
Salaries and benefits payable	1,197,586	5,633	1,203,219
Accrued interest payable	184,410	0	184,410
Deferred revenue:			
Succeeding year property tax	8,488,529	0	8,488,529
Other	139,388	0	139,388
Unearned revenue	0	5,473	5,473
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	600,000	0	600,000
Revenue bonds payable	230,000	0	230,000
Instrument lease	1,858	0	1,858
Compensated absences	56,346	0	56,346
Early retirement payable	98,655	0	98,655
Portion due after one year:			
General obligation bonds payable	1,855,000	0	1,855,000
Revenue bonds payable	7,700,000	0	7,700,000
Instrument lease	4,650	0	4,650
Early retirement payable	153,401	0	153,401
Net OPEB liability	28,971	534	29,505
TOTAL LIABILITIES	21,313,571	14,077	21,327,648
NET ASSETS			
Invested in capital assets, net of related debt	6,612,590	154,867	6,767,457
Restricted for:			
Debt service	1,211,565	0	1,211,565
Categorical funding	164,959	0	164,959
Management levy	573,706	0	573,706
Physical plant and equipment levy	1,992,276	0	1,992,276
Capital projects	2,806,662	0	2,806,662
Other special revenue purposes	48,216	0	48,216
Unrestricted	1,979,226	348,838	2,328,064
TOTAL NET ASSETS	\$ 15,389,200	503,705	15,892,905

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 4,866,452	1,139,769	2,040,993	0	(1,685,690)	0	(1,685,690)
Special	2,034,933	155,209	169,147	0	(1,710,577)	0	(1,710,577)
Other	1,949,998	167,015	829	0	(1,782,154)	0	(1,782,154)
	8,851,383	1,461,993	2,210,969	0	(5,178,421)	0	(5,178,421)
Support services:							
Student	495,462	0	0	0	(495,462)	0	(495,462)
Instructional staff	295,715	0	0	0	(295,715)	0	(295,715)
Administration	1,907,280	0	0	0	(1,907,280)	0	(1,907,280)
Operation and maintenance of plant	1,439,802	0	0	0	(1,439,802)	0	(1,439,802)
Transportation	752,038	0	14,684	0	(737,354)	0	(737,354)
	4,890,297	0	14,684	0	(4,875,613)	0	(4,875,613)
Non-instructional programs:							
Food service operations	250	0	0	0	(250)	0	(250)
Other enterprise operations	1,385	0	0	0	(1,385)	0	(1,385)
	1,635	0	0	0	(1,635)	0	(1,635)
Other expenditures:							
Facilities and acquisitions	213,370	0	0	44	(213,326)	0	(213,326)
Long-term debt interest	447,941	0	0	0	(447,941)	0	(447,941)
AEA flowthrough	492,137	0	492,137	0	0	0	0
Depreciation (unallocated)*	523,875	0	0	0	(523,875)	0	(523,875)
	1,677,323	0	492,137	44	(1,185,142)	0	(1,185,142)
Total governmental activities	15,420,638	1,461,993	2,717,790	44	(11,240,811)	0	(11,240,811)
Business Type activities:							
Instruction:							
Regular	50	0	0	0	0	(50)	(50)
Support services:							
Administration	1,861	0	0	0	0	(1,861)	(1,861)
Operation and maintenance of plant	33,721	0	0	0	0	(33,721)	(33,721)
	35,582	0	0	0	0	(35,582)	(35,582)
Non-instructional programs:							
Nutrition services	695,246	322,475	384,732	0	0	11,961	11,961
Other business type activities	102,964	125,312	0	0	0	22,348	22,348
	798,210	447,787	384,732	0	0	34,309	34,309
Total business type activities	833,842	447,787	384,732	0	0	(1,323)	(1,323)
Total	\$ 16,254,480	1,909,780	3,102,522	44	(11,240,811)	(1,323)	(11,242,134)
General Revenues:							
Local tax for:							
General purposes				\$	6,699,763	0	6,699,763
Debt service					672,170	0	672,170
Capital outlay					1,001,976	0	1,001,976
Statewide sales, services and use tax					1,018,232	0	1,018,232
Unrestricted state grants					2,778,330	0	2,778,330
Unrestricted investment earnings					71,921	1,409	73,330
Other					144,399	9,256	153,655
Total general revenues					12,386,791	10,665	12,397,456
Change in net assets					1,145,980	9,342	1,155,322
Net assets beginning of year					14,243,220	494,363	14,737,583
Net assets end of year				\$	15,389,200	503,705	15,892,905

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Physical	Capital Projects	Debt Service	Other	Total
		Plant and Equipment Levy			Nonmajor Governmental Funds	
ASSETS						
Cash and pooled investments	\$ 3,127,155	2,107,172	2,912,664	1,202,334	866,596	10,215,921
Receivables:						
Property tax:						
Delinquent	89,368	13,821	0	9,176	3,776	116,141
Succeeding year	6,683,159	1,034,881	0	495,489	275,000	8,488,529
Interfund	12,465	0	0	0	9,420	21,885
Accounts	229,871	0	0	0	2,926	232,797
Due from other governments	476,696	82	167,704	55	22	644,559
TOTAL ASSETS	\$ 10,618,714	3,155,956	3,080,368	1,707,054	1,157,740	19,719,832
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund payable	\$ 0	18,073	0	0	3,086	21,159
Accounts payable	184,669	110,726	273,706	0	5,676	574,777
Salaries and benefits payable	1,197,586	0	0	0	0	1,197,586
Deferred revenue:						
Succeeding year property tax	6,683,159	1,034,881	0	495,489	275,000	8,488,529
Other	139,388	0	0	0	0	139,388
Total liabilities	<u>8,204,802</u>	<u>1,163,680</u>	<u>273,706</u>	<u>495,489</u>	<u>283,762</u>	<u>10,421,439</u>
Fund balances:						
Reserved for:						
Debt service	0	0	0	1,211,565	0	1,211,565
Categorical funding	164,959	0	0	0	0	164,959
Unreserved	<u>2,248,953</u>	<u>1,992,276</u>	<u>2,806,662</u>	<u>0</u>	<u>873,978</u>	<u>7,921,869</u>
Total fund balances	<u>2,413,912</u>	<u>1,992,276</u>	<u>2,806,662</u>	<u>1,211,565</u>	<u>873,978</u>	<u>9,298,393</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,618,714	3,155,956	3,080,368	1,707,054	1,157,740	19,719,832

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 22)	\$	9,298,393
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		17,004,098
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(184,410)
Long-term liabilities, including general obligation bonds payable, revenues bonds payable, instrument lease payable, compensated absences, early retirement payable and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(10,728,881)</u>
Net assets of governmental activities (page 20)	\$	<u>15,389,200</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total Other Nonmajor Governmental Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 6,425,142	1,001,976	1,018,232	672,170	274,621	9,392,141
Tuition	1,288,562	0	0	0	0	1,288,562
Other	89,353	8,435	50,563	3,729	243,980	396,060
Intermediate sources	26,714	0	0	0	0	26,714
State sources	4,233,217	0	0	0	0	4,233,217
Federal sources	1,228,880	44	0	0	0	1,228,924
Total revenues	13,291,868	1,010,455	1,068,795	675,899	518,601	16,565,618
EXPENDITURES:						
Current:						
Instruction:						
Regular	4,600,943	0	0	0	156,596	4,757,539
Special	2,040,785	0	0	0	0	2,040,785
Other	1,726,864	0	0	0	195,079	1,921,943
Total instruction	8,368,592	0	0	0	351,675	8,720,267
Support services:						
Student services	475,464	0	0	0	0	475,464
Instructional staff	164,070	131,107	0	0	243	295,420
Administration	1,867,128	1,440	0	0	9,960	1,878,528
Operation and maintenance of plant	1,207,765	20,598	0	0	273,302	1,501,665
Transportation	567,710	163,800	0	0	0	731,510
Total support services	4,282,137	316,945	0	0	283,505	4,882,587
Non-instructional programs:						
Food service operations	0	0	0	0	250	250
Other enterprise operations	1,385	0	0	0	0	1,385
Total non-instructional programs	1,385	0	0	0	250	1,635
Other expenditures:						
Facilities acquisitions	0	244,163	3,873,863	0	0	4,118,026
Long-term debt:						
Principal	0	0	0	546,603	0	546,603
Interest and fiscal charges	0	0	0	452,735	0	452,735
AEA flowthrough	492,137	0	0	0	0	492,137
Total other expenditures	492,137	244,163	3,873,863	999,338	0	5,609,501
Total expenditures	13,144,251	561,108	3,873,863	999,338	635,430	19,213,990
Excess (deficiency) of revenues over (under) expenditures	147,617	449,347	(2,805,068)	(323,439)	(116,829)	(2,648,372)
Other financing sources (uses):						
Transfers in	0	0	0	609,028	0	609,028
Transfers out	(2,859)	0	(606,169)	0	0	(609,028)
Sale of equipment	1,000	0	0	0	0	1,000
Refunding bond issuance	0	0	0	2,455,000	0	2,455,000
Premium on bond issuance	0	0	0	35,244	0	35,244
Discount on bond issuance	0	0	0	(9,712)	0	(9,712)
Cost of bond issuance	0	0	0	(22,382)	0	(22,382)
Payment to escrow	0	0	0	(2,455,000)	0	(2,455,000)
Proceeds from instrument lease	8,111	0	0	0	0	8,111
Total other financing sources (uses)	6,252	0	(606,169)	612,178	0	12,261
Net change in fund balances	153,869	449,347	(3,411,237)	288,739	(116,829)	(2,636,111)
Fund balance beginning of year	2,260,043	1,542,929	6,217,899	922,826	990,807	11,934,504
Fund balance end of year	\$ 2,413,912	1,992,276	2,806,662	1,211,565	873,978	9,298,393

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2010

Net change in fund balances - total governmental funds(page 24) \$ (2,636,111)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 3,965,867	
Depreciation expense	<u>(799,916)</u>	3,165,951

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuances and repayments are as follows:

Issued	(8,111)	
Repaid	<u>546,603</u>	538,492

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,644

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	459	
Early retirement	99,263	
Other postemployment benefits	<u>(23,718)</u>	<u>76,004</u>

Changes in net assets of governmental activities(page 21) \$ 1,145,980

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	School Nutrition	Eagles Nest	Cornell Elementary Preschool	Total
ASSETS				
Cash and cash equivalents	\$ 224,149	38,166	85,724	348,039
Accounts receivable	774	0	0	774
Inventories	14,128	0	0	14,128
Capital assets, net of accumulated depreciation	152,030	2,837	0	154,867
TOTAL ASSETS	391,081	41,003	85,724	517,808
LIABILITIES				
Interfund payable	26	0	0	26
Accounts payable	338	2,099	0	2,437
Salaries and benefits payable	0	5,633	0	5,633
Net OPEB liability	534	0	0	534
Unearned revenue	5,473	0	0	5,473
TOTAL LIABILITIES	6,371	7,732	0	14,103
NET ASSETS				
Invested in capital assets	152,030	2,837	0	154,867
Unrestricted	232,680	30,434	85,724	348,838
TOTAL NET ASSETS	\$ 384,710	33,271	85,724	503,705

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition	Eagles Nest	Cornell Elementary Preschool	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 322,475	95,922	29,390	447,787
Miscellaneous	7,825	1,431	0	9,256
TOTAL OPERATING REVENUES	330,300	97,353	29,390	457,043
OPERATING EXPENSES:				
Instruction:				
Regular:				
Supplies	0	50	0	50
Support services:				
Administration:				
Salaries	1,627	0	0	1,627
Benefits	234	0	0	234
	1,861	0	0	1,861
Operation and maintenance of plant:				
Salaries	19,669	2,797	292	22,758
Benefits	2,832	400	41	3,273
Services	100	0	0	100
Supplies	5,633	0	0	5,633
	28,234	3,197	333	31,764
Total support services	30,095	3,247	333	33,625
Non-instructional programs:				
Food service operations:				
Salaries	257,956	0	0	257,956
Benefits	65,181	0	0	65,181
Services	15,450	0	0	15,450
Supplies	333,865	0	0	333,865
Other	870	0	0	870
Depreciation	21,924	0	0	21,924
	695,246	0	0	695,246
Other enterprise operations:				
Salaries	0	64,673	3,098	67,771
Benefits	0	8,798	443	9,241
Services	0	10,684	0	10,684
Supplies	0	14,455	104	14,559
Depreciation	0	709	0	709
	0	99,319	3,645	102,964
Total non-instructional programs	695,246	99,319	3,645	798,210
TOTAL OPERATING EXPENSES	725,341	102,566	3,978	831,885
OPERATING INCOME (LOSS)	(395,041)	(5,213)	25,412	(374,842)
NON-OPERATING REVENUES:				
State sources	6,402	0	0	6,402
Federal sources	378,330	0	0	378,330
Interest income	994	141	274	1,409
TOTAL NON-OPERATING REVENUES	385,726	141	274	386,141
Change in net assets before other financing uses	(9,315)	(5,072)	25,686	11,299
Other financing uses:				
Loss on asset disposal	(1,957)	0	0	(1,957)
Changes in net assets	(11,272)	(5,072)	25,686	9,342
Net assets beginning of year	395,982	38,343	60,038	494,363
Net assets end of year	\$ 384,710	33,271	85,724	503,705

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition	Eagles Nest	Cornell Elementary Preschool	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 321,723	0	0	321,723
Cash received from parents for tuition	0	95,942	29,390	125,332
Cash received from miscellaneous	7,825	1,431	0	9,256
Cash payments to employees for services	(347,062)	(82,763)	(3,874)	(433,699)
Cash payments to suppliers for goods or services	(315,706)	(23,090)	(104)	(338,900)
Net cash provided by(used in) operating activities	(333,220)	(8,480)	25,412	(316,288)
Cash flows from non-capital financing activities:				
Borrowings from General Fund	26	0	0	26
State grants received	6,402	0	0	6,402
Federal grants received	335,924	0	0	335,924
Net cash provided by non-capital financing activities	342,352	0	0	342,352
Cash flows from capital and related financing activities:				
Purchase of capital assets	(35,929)	(3,546)	0	(39,475)
Cash flows from investing activities:				
Interest on investments	994	141	274	1,409
Net increase(decrease) in cash and cash equivalents	(25,803)	(11,885)	25,686	(12,002)
Cash and cash equivalents at beginning of year	249,952	50,051	60,038	360,041
Cash and cash equivalents at end of year	\$ 224,149	38,166	85,724	348,039
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (395,041)	(5,213)	25,412	(374,842)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	42,406	0	0	42,406
Depreciation	21,924	709	0	22,633
Increase in inventories	(2,225)	0	0	(2,225)
(Increase)Decrease in accounts receivable	(774)	20	0	(754)
Increase in accounts payable	31	2,099	0	2,130
Decrease in salaries and benefits payable	0	(6,095)	0	(6,095)
Increase in unearned revenue	22	0	0	22
Increase in other postemployment benefits	437	0	0	437
Net cash provided by(used in) operating activities	\$ (333,220)	(8,480)	25,412	(316,288)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$42,406.

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 28,927	643
LIABILITIES		
Due to other groups	0	643
Interfund payable	700	0
Scholarships payable	1,200	0
TOTAL LIABILITIES	1,900	643
NET ASSETS		
Reserved for scholarships	\$ 27,027	0

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2010

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest on investments	\$ 33
Other	206
Total additions	<u>239</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>1,206</u>
Change in net assets	(967)
Net assets beginning of year	<u>27,994</u>
Net assets end of year	<u>\$ 27,027</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(1) Summary of Significant Accounting Policies

The Saydel Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Des Moines, Iowa, and the predominate agricultural territory in Polk County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Saydel Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Saydel Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is utilized to account for building improvements and equipment purchases.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the School Nutrition Fund, Cornell Elementary Preschool Fund, and Eagles Nest Daycare Fund. The Nutrition fund is used to account for the food service operations of the District. The Cornell Elementary Preschool Fund is used to account for the preschool operations of the District. The Eagles Nest Daycare fund is used to account for the daycare operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant

resources to such programs, and then general revenues. The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	2-10 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$302,549 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General	Student Activity	\$ 3,086
Student Activity	Physical Plant and Equipment Levy	9,420
General	Physical Plant and Equipment Levy	8,653
General	Nutrition	26
General	Private Purpose Trust	700
Total		<u>\$ 21,885</u>

The Student Activity Fund is repaying the General Fund for deposits in error that were not transferred before June 30, 2010.

The Physical Plant and Equipment Levy Fund is repaying the Student Activity Fund for cost associated with the purchase of a new scoreboard.

The Physical Plant and Equipment Levy Fund is repaying the General Fund for expenditures that were paid from the wrong fund.

The Nutrition Fund is repaying the General Fund for deposits in error that were not transferred before June 30, 2010.

The Private Purpose Trust is repaying the General Fund for past scholarships that were paid from the wrong account.

(4) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 606,169
Debt Service	General	<u>2,859</u>
Total		<u>\$ 609,028</u>

The transfer from the Capital Projects Fund to the Debt Service Fund was needed as part of the principal and interest payments on the District's revenue bond indebtedness.

The transfer from the General Fund to the Debt Service fund was needed for principal and interest payments on the District's instrument lease.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Business type activities:				
Machinery and equipment	\$ 285,977	39,475	9,322	316,130
Less accumulated depreciation	145,995	22,633	7,365	161,263
Business type activities capital assets, net	<u>\$ 139,982</u>	<u>16,842</u>	<u>1,957</u>	<u>154,867</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 203,191
Other	28,055

Support services:

Administration	20,953
Operation and maintenance of plant	3,314
Transportation	20,528

276,041

Unallocated depreciation

523,875

Total governmental activities depreciation expense

\$ 799,916

Business type activities:

Food service operations	\$ 21,924
Eagles Nest	709

Total business type activities:

\$ 22,633

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,500	0	0	7,500
Construction in progress	2,442,144	3,890,239	5,278,404	1,053,979
Total capital assets not being depreciated	2,449,644	3,890,239	5,278,404	1,061,479
Capital assets being depreciated:				
Buildings	25,389,515	5,093,141	0	30,482,656
Land improvements	1,535,479	199,680	0	1,735,159
Machinery and equipment	2,585,872	61,211	0	2,647,083
Total capital assets being depreciated	29,510,866	5,354,032	0	34,864,898
Less accumulated depreciation for:				
Buildings	15,701,396	440,347	0	16,141,743
Land improvements	907,290	83,528	0	990,818
Machinery and equipment	1,513,677	276,041	0	1,789,718
Total accumulated depreciation	18,122,363	799,916	0	18,922,279
Total capital assets being depreciated, net	11,388,503	4,554,116	0	15,942,619
Governmental activities capital assets, net	\$ 13,838,147	8,444,355	5,278,404	17,004,098

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 3,000,000	2,455,000	3,000,000	2,455,000	600,000
Revenue bonds	7,930,000	0	0	7,930,000	230,000
Instrument lease	0	8,111	1,603	6,508	1,858
Compensated absences	56,805	56,346	56,805	56,346	56,346
Early retirement	351,319	81,149	180,412	252,056	98,655
Net OPEB liability	5,253	23,718	0	28,971	0
Total	\$ 11,343,377	2,624,324	3,238,820	10,728,881	986,859
Business Type Activities:					
Net OPEB liability	\$ 97	437	0	534	0

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonds, which is paid with property taxes levied in the Debt Service Fund, are as follows:

Year Ending June 30,	Bond Issue of April 1, 2010			
	Interest Rates	Principal	Interest	Total
2011	1.00	% \$ 600,000	42,967	642,967
2012	1.70	600,000	33,662	633,662
2013	1.75	655,000	23,462	678,462
2014	2.00	600,000	12,000	612,000
Total		\$ 2,455,000	112,091	2,567,091

Revenue Bonds Payable

Details of the District's June 30, 2010 revenue bond indebtedness, which is paid with statewide sales, services and use tax from the Capital Projects Fund, is as follows:

Year Ending June 30,	Bond Issue of February 1, 2009				
	Interest Rates	Principal	Interest	Total	
2011	3.75	% \$ 230,000	347,735	577,735	
2012	3.75	240,000	338,922	578,922	
2013	3.75	250,000	329,735	579,735	
2014	3.75	265,000	320,079	585,079	
2015	3.75	275,000	309,954	584,954	
2016-2020	3.75-4.20	1,575,000	1,379,549	2,954,549	
2021-2025	4.30-4.75	2,030,000	999,551	3,029,551	
2026-2030	4.75-4.95	3,065,000	446,144	3,511,144	
Total		\$ 7,930,000	4,471,669	12,401,669	

The District has pledged future statewide sales, services and use tax revenues to repay the \$7,930,000 in bonds issued February 1, 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The annual principal and interest payments on the bonds are expected to require 56.7% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$12,401,669. For the current year, interest of \$322,710 was paid on the bonds. Total statewide sales, services and use tax revenues were \$1,018,232.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$635,243 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Instrument Lease

Details of the District's June 30, 2010 instrument lease indebtedness, which is paid from the General Fund is as follows:

Year Ending June 30,	Instrument Lease Dated October 13, 2008				
	Interest Rates	Principal	Interest	Total	
2011	14.87	% \$ 1,858	1,001	2,859	
2012	14.87	2,154	705	2,859	
2013	14.87	2,496	363	2,859	
Total		\$ 6,508	2,069	8,577	

Early Retirement

The District offers a voluntary early retirement plan to its certified staff and support staff. Eligible employees must be over the age of fifty-five, certified staff must have completed ten years of full-time service to the District while support staff employees must have completed fifteen years of service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement incentive for each eligible certified staff employee is calculated upon 75 percent of the difference between the salary schedule base and the licensed employee's current salary, less supplemental pay or extended contract pay, plus the cost to the school district for providing continuing coverage under the school district's group insurance plan until the licensed employee uses up their reserve.

The early retirement incentive for each eligible support staff employee is a lump sum payment based on 80 percent of the average base annual salary for the past three years. In addition, eligible support staff will receive a lump sum payment for unused sick leave (up to the maximum) at the rate of six dollars per day. Upon retirement, support staff may choose to continue coverage on the District's insurance plan at the employees' cost.

A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Advance Refunding

On April 1, 2010, the District issued \$2,455,000 in general obligation bonds to advance refund \$2,455,000 to call the outstanding general obligation bonds dated January 1, 1999. The new advance refunding bonds have been added to the appropriate financial statements and schedules. The present value savings of this bond refunding is \$157,387.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a

publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$513,244, \$480,061, and \$449,414 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 178 active and 25 retired members in the plan. Employees must be age 35 or older at retirement and have ten or more years of continuous service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit which is administered by Delta Dental.

Funding Policy - the contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 155,810
Interest on net OPEB obligation	254
Adjustment to annual required contribution	(323)
Annual OPEB cost (expense)	<u>155,741</u>
Contributions made	<u>(131,586)</u>
Increase in net OPEB obligation	24,155
Net OPEB obligation - beginning of year	<u>5,350</u>
Net OPEB obligation - end of year	<u><u>\$ 29,505</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative

difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/10	\$ 155,741	84.49%	\$ 29,505

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1.376 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.376 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.745 million, and the ratio of the UAAL to the covered payroll was 24.0%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.75% discount rate based on the District's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities on scale T-9 of the Actuary's Pension Handbook and applying the termination factors on scale T-9 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$686 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 4.25% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision, long-term disability and life.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2010 were \$857,393.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

Saydel Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$492,137 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Construction Commitment

The District has entered into various contracts for improvements and upgrades to the athletic complex and the waste water system. As of June 30, 2010, costs of \$1,053,979 had been incurred against the contracts. Upon completion of the project, construction costs will be added to the District's fixed asset listing.

(13) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Limited english proficiency	\$ 21,809
Dropout and dropout prevention	19,658
Beginning teacher mentoring	1,742
Teacher salary supplement	34,587
Market factor	6,377
Model core curriculum	873
Professional development for model core curriculum	22,926
Professional development	47,250
Market factor incentives	9,737
Total	<u>\$ 164,959</u>

Saydel Community School District

REQUIRED SUPPLEMENTARY INFORMATION

SAYDEL COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 11,076,763	458,452	11,535,215	11,781,839	11,781,839	(246,624)
Intermediate sources	26,714	0	26,714	25,000	25,000	1,714
State sources	4,233,217	6,402	4,239,619	5,544,191	5,544,191	(1,304,572)
Federal sources	1,228,924	378,330	1,607,254	963,000	963,000	644,254
Total revenues	16,565,618	843,184	17,408,802	18,314,030	18,314,030	(905,228)
Expenditures/Expenses:						
Instruction	8,720,267	50	8,720,317	9,122,381	9,122,381	402,064
Support services	4,882,587	33,625	4,916,212	5,020,954	5,020,954	104,742
Non-instructional programs	1,635	798,210	799,845	1,345,467	1,345,467	545,622
Other expenditures	5,609,501	0	5,609,501	5,948,984	5,948,984	339,483
Total expenditures/expenses	19,213,990	831,885	20,045,875	21,437,786	21,437,786	1,391,911
Excess(deficiency) of revenues over(under) expenditures/expenses	(2,648,372)	11,299	(2,637,073)	(3,123,756)	(3,123,756)	486,683
Other financing sources, net	12,261	(1,957)	10,304	2,500	2,500	7,804
Excess(deficiency) of revenues over(under) expenditures/expenses and other financing uses	(2,636,111)	9,342	(2,626,769)	(3,121,256)	(3,121,256)	494,487
Balance beginning of year	11,934,504	494,363	12,428,867	10,919,046	10,919,046	1,509,821
Balance end of year	\$ 9,298,393	503,705	9,802,098	7,797,790	7,797,790	2,004,308

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 1,376	\$ 1,376	0.0%	\$ 6,048	22.8%
2010	July 1, 2008	\$ -	\$ 1,376	\$ 1,376	0.0%	\$ 5,745	24.0%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue Funds		Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	
ASSETS			
Cash and pooled investments	\$ 822,687	43,909	866,596
Receivables:			
Property tax			
Current year delinquent	3,776	0	3,776
Succeeding year	275,000	0	275,000
Interfund	0	9,420	9,420
Accounts	0	2,926	2,926
Due from other governments	22	0	22
TOTAL ASSETS	\$ 1,101,485	56,255	1,157,740
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund payable	\$ 0	3,086	3,086
Accounts payable	723	4,953	5,676
Deferred revenue:			
Succeeding year property tax	275,000	0	275,000
Total liabilities	275,723	8,039	283,762
Unreserved fund balances	825,762	48,216	873,978
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,101,485	56,255	1,157,740

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds		Total
	Manage- ment Levy	Student Activity	Other Nonmajor Governmental Funds
REVENUES:			
Local sources:			
Local tax	\$ 274,621	0	274,621
Other	27,224	216,756	243,980
TOTAL REVENUES	301,845	216,756	518,601
EXPENDITURES:			
Current:			
Instruction:			
Regular	156,596	0	156,596
Other	0	195,079	195,079
Support services:			
Instructional staff	0	243	243
Administration	7,945	2,015	9,960
Operation and maintenance of plant	273,302	0	273,302
Non-instructional programs:			
Food service operations	250	0	250
TOTAL EXPENDITURES	438,093	197,337	635,430
Net change in fund balances	(136,248)	19,419	(116,829)
Fund balance beginning of year	962,010	28,797	990,807
Fund balance end of year	\$ 825,762	48,216	873,978

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra Fund Transfers	Balance End of Year
HS Accounts	\$ 28,361	178,675	179,151	(10,350)	38,235
Woodside Accounts	(5,818)	33,101	11,885	10,350	5,048
Cornell Accounts	1,162	611	851	0	922
Norwoodville Accounts	5,082	4,361	4,746	0	4,697
Interest	10	8	704	0	(686)
Total	<u>\$ 28,797</u>	<u>216,756</u>	<u>197,337</u>	<u>0</u>	<u>48,216</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2010

	Gerry	Dean	Voss	
	Scholarship	Scholarship	Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 24,795	1,329	2,803	28,927
LIABILITIES				
Interfund payable	300	200	200	700
Scholarships payable	1,000	0	200	1,200
TOTAL LIABILITIES	1,300	200	400	1,900
NET ASSETS				
Reserved for scholarships	\$ 23,495	1,129	2,403	27,027

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2010

	Gerry Scholarship	Dean Scholarship	Voss Scholarship	Total
ADDITIONS:				
Local sources:				
Interest on investments	\$ 28	1	4	33
Other	200	0	6	206
TOTAL ADDITIONS	228	1	10	239
DEDUCTIONS:				
Regular instruction:				
Scholarships awarded	1,000	6	200	1,206
Changes in net assets	(772)	(5)	(190)	(967)
Net assets beginning of year	24,267	1,134	2,593	27,994
Net assets end of year	\$ 23,495	1,129	2,403	27,027

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 9,392,141	9,146,422	8,331,660	8,032,494	7,317,531	8,014,844	7,321,833
Tuition	1,288,562	1,202,420	1,199,455	1,203,159	1,009,642	877,047	831,183
Other	396,060	414,398	565,340	665,059	686,507	428,360	340,121
Intermediate sources	26,714	33,050	27,498	0	60	2,121	5,402
State sources	4,233,217	5,776,029	5,687,232	5,576,309	5,503,088	5,555,709	5,634,457
Federal sources	1,228,924	416,604	496,500	277,770	299,414	296,225	229,517
Total	\$ 16,565,618	16,988,923	16,307,685	15,754,791	14,816,242	15,174,306	14,362,513
Expenditures:							
Current:							
Instruction:							
Regular	\$ 4,757,539	4,941,113	4,765,867	4,764,872	4,126,410	4,054,942	3,898,480
Special	2,040,785	2,106,601	2,226,733	2,269,487	2,197,819	2,462,914	2,330,861
Other	1,921,943	1,809,095	1,561,837	1,284,502	1,420,754	782,626	807,675
Support services:							
Student	475,464	430,960	452,550	413,741	458,322	347,629	382,996
Instructional staff	295,420	200,485	365,712	336,056	512,939	683,959	377,178
Administration	1,878,528	1,871,072	1,644,564	1,658,418	1,473,451	1,311,237	1,416,274
Operation and maintenance of plant	1,501,665	1,519,384	1,536,632	1,334,461	1,789,408	1,530,754	1,203,079
Transportation	731,510	710,609	765,142	535,274	613,666	558,842	470,960
Non-instructional programs	1,635	250	0	0	250	1,680	30,253
Other expenditures:							
Facilities acquisitions	4,118,026	2,750,938	654,525	567,573	427,769	959,360	3,805,648
Long-term debt:							
Principal	546,603	1,400,000	1,825,000	1,270,000	1,385,000	2,415,000	1,280,000
Interest	452,735	261,247	299,710	333,618	373,692	491,051	545,000
AEA flow-through	492,137	466,082	439,097	423,414	412,140	410,100	411,969
Total	\$ 19,213,990	18,467,836	16,537,369	15,191,416	15,191,620	16,010,094	16,960,373

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 79,175
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	299,155 *
			<u>378,330</u>
DEPARTMENT OF DEFENSE:			
POLK COUNTY:			
FLOOD CONTROL PROJECTS	12.106	FY 10	<u>44</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	5805-G	141,283
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 10	15,500
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	15,616
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	46,420
			<u>218,819</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>5,997</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 10	<u>49,685</u>
EDUCATION OF HOMELESS CHILDREN AND YOUTH, RECOVERY ACT	84.387	FY 10	<u>18,069</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 10	<u>8,697</u>
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	112,434
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	560,528
			<u>672,962</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	71,701
SPECIAL EDUCATION - GRANTS TO STATES (PART B), SEAP	84.027	FY 10	376
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	39,211
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	57,859
			<u>169,147</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>15,470</u>
NATIONAL ENDOWMENT FOR THE ARTS:			
IOWA ARTS COUNCIL:			
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS)	45.025	FY 10	<u>200</u>
TOTAL			<u>\$ 1,537,420</u>

* Includes \$42,406 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Saydel Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Saydel Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Saydel Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 13, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saydel Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Saydel Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Saydel Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saydel Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Saydel Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Saydel Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Saydel Community School District and other parties to whom Saydel Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Saydel Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 13, 2011

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Saydel Community School District:

Compliance

We have audited the compliance of Saydel Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Saydel Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Saydel Community School District's management. Our responsibility is to express an opinion on Saydel Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Saydel Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Saydel Community School District's compliance with those requirements.

In our opinion, Saydel Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

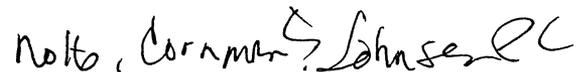
Internal Control Over Compliance

The management of Saydel Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Saydel Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Saydel Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Saydel Community School District and other parties to whom Saydel Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

January 13, 2011

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Report

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual
 - CFDA Number 84.394 - ARRA State Fiscal Stabilization Fund (SFSF)
Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Saydel Community School District did qualify as a low-risk auditee.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted in the Student Activity Fund that the cash receipts and bank deposits were done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Cash receipts at the High School are currently being prepared by the Activities Secretary and deposited by the Activities Director. Due to the limited office staff in the other schools, the deposits are prepared and deposited by the same person. We will continue to investigate alternatives to achieve adequate separation of duties.

Conclusion - Response accepted.

II-B-10 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - The District office has informed the Activities Director of the recommendation. For the current year, procedures have been developed to ensure that the non-certified staff coaches are turning in timesheets at the end of each sport season.

Conclusion - Response accepted.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

SAYDEL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted during our audit that the District purchased gift cards to give to volunteers from the Student Activity Fund. Gift cards given to volunteers do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District office has informed the Activities Director and other employees of the recommendation. The District will comply with the recommendation.

Conclusion - Response accepted.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ray Livingston, Board Member Owns Livingston Construction	Repairs	\$585
Marcia Watters, Secretary Husband performed services	Services	\$2,000

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with the Board Member do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the husband of the employee does not appear to represent a conflict of interest.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by Chapter 279.35 of the Code of Iowa.

Response - The Board Secretary has adopted a new procedure to track when minutes are sent to the newspaper for publication. All documentation of when minutes are sent to the newspaper will be retained to demonstrate compliance with Chapter 279.35 of the Code of Iowa

Conclusion - Response accepted.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	577,763
Statewide sales and services tax revenue			1,018,232
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	542,209	
Other improvements		447,617	
Debt service for school infrastructure:			
Revenue debt		606,169	1,595,995
Ending Balance		\$	<u>0</u>

There was no tax reduction as a result of the statewide sales, services and use tax received during the year ended June 30, 2010.

IV-M-10 Financial Condition - The District has numerous negative student account balances within the Student Activity Fund, totaling \$29,886.56 as of June 30, 2010.

Recommendation - The District should review their procedures with regards to account balances in the Student Activity Fund. The District may want to require additional administrative approval of purchase orders for the accounts that are negative. The District should also distribute a detailed monthly financial report to the sponsor responsible for each club/organization. The sponsor should have a budget for the club/organization and should be accountable for the balance.

Response - The District office provides a summary of beginning balances, receipts, expenditures and ending balances on a monthly basis to the Activities Director and each building principal for further distribution to appropriate coaches/sponsors. The Activities Director reviews this report and advises the District office to transfer funds as needed to alleviate any negative balances.

Conclusion - Response accepted.

IV-N-10 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts.

Recommendation - According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District. The District should have the Board President sign all contracts entered into by the District.

Response - The District will establish a procedure for having the Board President's signature on officiating contracts.

Conclusion - Response accepted.